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TAGS: [PGOV](#) [PREL](#) [PHUM](#) [ECON](#) [MOPS](#) [LH](#)
SUBJECT: PM'S CHANCELLOR DISCUSSES AFGHANISTAN, BELARUS,
PRECARIOUS BUDGET SITUATION

Classified By: Deputy Chief of Mission Damian R. Leader for reasons 1.4
(b) and (d).

¶1. (C) SUMMARY: Prime Minister's Chancellor Deividas Matulionis said November 5 that Lithuania remains committed to leading the Provincial Reconstruction Team in Afghanistan's Ghor Province, puts a high priority on NATO contingency planning for defense of the Baltic states, and has seen positive signs in relations with Belarus since President Aleksandr Lukashenka's September visit to Lithuania. He called the GOL's effort to get its 2010 budget passed by the parliament "the most difficult battle in the history of Lithuania since 1990," but said the country has no alternative to deep, painful and unpopular cuts in pensions, social benefits and other expenditures. End summary.

¶2. (U) During the Pol-Econ chief's first meeting with the Chancellor (akin to Chief of Staff for the PM), Matulionis covered a wide range of topics. He said Lithuania remains "very interested in having the United States as our best ally. We are very much pro-American -- the people, the parliament, the government and the president."

Afghanistan

¶3. (C) Matulionis, like every GOL official we speak with, stressed that Lithuania remains steadfast in its commitment to completing the responsibilities it has taken on in Afghanistan. "We have financial difficulties, but we will not let that stop us from continuing to lead the PRT in Ghor Province," Matulionis said. "Afghanistan is our major and only priority in international affairs at the moment." He said he was glad to hear that U.S. and Afghan government contributions apparently would cover the cost of paving the Chaghcharan airport runway. "That is a very, very important point. We are reducing our development amount, unfortunately. To have any credibility with the Afghan people, we have to move forward with some concrete project." He also said he was pleased to hear that the United States would send a significant delegation to the RC-West conference the Foreign Ministry will host in Vilnius on December 8-9.

Baltic defense planning

¶4. (C) The first issue raised by the chancellor was the need for NATO to complete contingency plans for defense of the Baltic states. "This is very, very important to us," he said. We told Matulionis that we have made sure officials in Washington and in other NATO countries are aware that the lack of defense planning for the Baltics was not just a theoretical concern, but something Lithuania considered a real vulnerability. Matulionis said he appreciated that support; Lithuania needs not only the actual plans to be completed, but the "political blessing" of all NATO members

for the plans to have real meaning.

Eastern neighbors

15. (C) Lithuania maintains close relations with Belarus because it wants to help guide the adjoining country onto a course of democratic development, Matulionis said. "We have to show that we're not saying 'no' to Belarus. We have to extend the helping hand." Following Belarusian President Lukashenka's September visit -- his first in more than a decade -- Lithuania has seen positive signs in the areas of transport, energy and business-to-business contacts. He said there also has been visible progress on the political side, "because they see us as ones who can speak for them in all international forums." And while it welcomed the visit by Lukashenka, the GOL also maintains close contacts with the Belarusian opposition. He said the GOL did not believe Belarus was going to recognize South Ossetia and Abkhazia as independent states at this time, but said the Government of Belarus could be unpredictable as it tried to balance its relations with Russia and the West.

16. (C) Relations between Lithuania and Russia appear to be improving somewhat, Matulionis said, but real change is stymied by a question of history: how to view the Soviet Union's move into Lithuania near the start of World War II. "If Russia would recognize that it was an occupation by the Soviet Union in 1940, that would really be a breakthrough, a positive sign. Maybe with President Medvedev that might be possible; he's said some interesting things about Russian history." He also said Medvedev "would be much easier to cooperate with" than Prime Minister Vladimir Putin. "He's

much more reform oriented, much more liberal, not affiliated with the KGB." Matulionis said it was hard to know how much power Medvedev actually held. "There are disagreements between the President and Prime Minister (Putin). Are they artificial or are they real? What does it mean? Nobody can know or understand what is happening in the Kremlin."

President and Prime Minister

17. (C) Prime Minister Kubilius and President Grybauskaitė get along well and largely have a shared vision for dealing with Lithuania's current economic woes, Matulionis said. "We cooperate on everything," he said of the two officials' staffs. That has been a blessing in difficult economic times, he said, because if the president and prime minister could not work together to bring Lithuania out of crisis, the results would be disastrous.

Budget battle

18. (C) Matulionis said getting the 2010 budget passed by the Seimas (parliament) will be "the most difficult battle in the history of Lithuania since 1990." Budget cuts will be deep and affect all segments of society, including those who receive pensions and other benefit payments. "Opposition parties are playing with this, but there is no way out." He said the GOL was proud to have worked out a framework agreement on the budget between the government, business associations and national labor unions, but said "that doesn't guarantee swift movement in the parliament on the budget."

19. (C) If the 2010 budget is not passed and the GOL has to continue following the 2009 budget, Lithuania would be in trouble as early as February because it could not afford the social benefits in that budget, and the deficit would spiral out of control.

Jewish issues

110. (C) Matulionis said the GOL remains committed to its

plan to provide compensation to the Jewish community for communal property seized by the Nazi and Soviet occupation regimes. But because of the budget situation, the GOL has asked the Seimas legal committee to delay consideration of the bill until early 2010, after the budget has been considered. "This would be suicide, to put this bill before the parliament at this time," Matulionis said. "It also would not be good for the Jewish community, when people are crying about cuts in pensions and social benefits and the government is talking about paying millions for compensation for buildings."

H1N1 flu preparations

11. (C) Despite the current flu outbreak in western Ukraine and the announcement that H1N1 flu has sickened dozens of cadets at a military academy in Vilnius, Matulionis said the threat of H1N1 flu is completely exaggerated and that the number of people affected by it in Lithuania is very small. The GOL has allocated money to increase its stocks of antiviral medications, but has made no decision yet on whether to buy H1N1 vaccine. He said the Ministry of Health has said that the H1N1 flu is no more lethal than seasonal flu. Lithuania has reported 68 confirmed cases of H1N1. That number includes six of the military cadets who were tested for the virus, but excludes 40 or more others who were not tested.

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